

LOUISIANA CHILDREN'S DISCOVERY CENTER, INC.

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2014

PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

Louisiana Children’s Discovery Center, Inc.
Hammond, Louisiana

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

To the Board of Directors
Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Children's Discovery Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

Louisiana Children's Discovery Center, Inc.

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accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Children's Discovery Center, Inc. as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2015, on our consideration of Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
June 2, 2015

Financial Statements

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Statement A

Statement of Financial Position
As of December 31, 2014

Assets	2014
Current Assets:	
Cash	\$ 93,799
Accounts Receivable	44,844
Inventory	1,639
Total Current Assets	<u>140,282</u>
Property and Equipment:	
Furniture, Fixtures & Equipment	142,620
Leasehold Improvements	403,377
Less: Accumulated Depreciation	(435,712)
Total Property and Equipment	<u>110,285</u>
Other Assets:	
Refundable Deposits	3,700
Total Other Assets	<u>3,700</u>
Total Assets	<u><u>\$ 254,267</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts Payable	\$ 5,073
Payroll Liabilities	4,279
Accrued Salary	6,145
Accrued Vacation	1,941
Sales Tax Payable	118
Deferred Revenue	1,625
Current Portion of Capital Lease	2,170
Total Current Liabilities	<u>21,351</u>
Long Term Liabilities	
Long-Term Portion of Capital Lease	4,968
Total Long-Term Liabilities	<u>4,968</u>
Total Liabilities	<u>26,319</u>
Net Assets:	
Temporarily Restricted	9,575
Unrestricted	218,373
Total Net Assets	<u>227,948</u>
Total Liabilities and Net Assets	<u><u>\$ 254,267</u></u>

The accompanying notes are an integral part of this statement.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Statement B

Statement of Activities
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Agency/Government Grants	\$ 249,219	\$ -	\$ 249,219
Individual/Business Contributions	11,860	-	11,860
Admission Fees	195,421	-	195,421
Fundraising Income	80,748	-	80,748
Gift Shop Income	4,563	-	4,563
Membership Dues	17,197	-	17,197
Miscellaneous Revenue	9,939	-	9,939
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	411	(411)	-
Total Revenues	\$ 569,358	\$ (411)	\$ 568,947

(Continued)

The accompanying notes are an integral part of this statement.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Statement B

Statement of Activities
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Expenses:			
Birthday Party Expenses	\$ 6,331	\$ -	\$ 6,331
Computer Expenses	5,627	-	5,627
Depreciation Expense	106,255	-	106,255
Dues & Subscriptions	1,939	-	1,939
Employee Salaries & Payroll Taxes	323,846	-	323,846
Field Trip Expense	2,927	-	2,927
Fundraising	54,430	-	54,430
Insurance	14,999	-	14,999
Janitorial	5,680	-	5,680
Maintenance & Repairs	12,394	-	12,394
Office Expenses	20,003	-	20,003
Other Employee Costs	7,583	-	7,583
Professional Fees	4,015	-	4,015
Promotion and Advertising	39,796	-	39,796
Rent	49,003	-	49,003
Supplies	970	-	970
Travel	2,763	-	2,763
Utilities	26,119	-	26,119
Total Expenses	<u>684,680</u>	<u>-</u>	<u>684,680</u>
 Change in Net Assets	 <u>(115,322)</u>	 <u>(411)</u>	 <u>(115,733)</u>
 Net Assets:			
Beginning of the Year	<u>333,695</u>	<u>9,986</u>	<u>343,681</u>
End of the Year	<u>\$ 218,373</u>	<u>\$ 9,575</u>	<u>\$ 227,948</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Statement C

Statement of Cash Flows
For the Year Ended December 31, 2014

	<u>2014</u>
Cash Flows from Operating Activities	
Change in Net Assets	\$ (115,733)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation Expense	106,255
(Increase)/Decrease in Accounts Receivable	(21,272)
(Increase)/Decrease in Inventory	3,906
Increase/(Decrease) in Accounts Payable	1,862
Increase/(Decrease) in Accrued Salary	3,489
Increase/(Decrease) in Accrued Vacation	(197)
Increase/(Decrease) in Payroll Liabilities	1,318
Increase/(Decrease) in Sales Tax Payable	(4)
Increase/(Decrease) in Deferred Revenue	775
Net Cash Used by Operating Activities	<u>(19,601)</u>
Cash Flows from Investing Activities	
Purchase of Furniture & Equipment	<u>(11,561)</u>
Net Cash Used by Investing Activities	<u>(11,561)</u>
Cash Flows from Capital and Related Financing Activities	
Payments on Capital Lease	(2,267)
Proceeds from Capital Lease	<u>8,680</u>
Net Cash Provided by Capital and Related Financing Activities	<u>6,413</u>
Net Decrease in Cash and Cash Equivalents	(24,749)
Cash and Cash Equivalents - Beginning of the Year	<u>118,548</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 93,799</u></u>

The accompanying notes are an integral part of this statement.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2014

Introduction

The Louisiana Children's Discovery Center, Inc. (the "Center") opened on October 1, 2010 and is a non-profit entity established to provide children with hands-on educational experiences that will empower imaginations, peak curiosity, and nurture intelligence. This mission is accomplished through the operation of a children's museum in the City of Hammond, Louisiana.

1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements have been prepared on an accrual basis and in conformity with standards generally accepted in the United States of America.

B. Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. During 2012, the Center received \$35,000 from the Tangipahoa Parish Tourist Commission of which would be used to purchase an exhibit. Of that amount, \$25,425 was used towards the exhibit. At December 31, 2014, \$9,575 has not been used and is temporarily restricted.

C. Support and Revenue

Support consists primarily from expense reimbursements from the City of Hammond, admission fees, field trips, birthday parties, membership fees and gift shop sales. At the end of each month the Center will bill the City of Hammond for expenses incurred. The revenue is recognized once the Center bills the City of Hammond. Membership fees are nonrefundable and recognized as income when received. Birthday parties and field trips are recognized as revenue once the event takes place. Payments made in advance for birthday parties and field trips are deferred until earned. Gift shop sales are recognized as revenue at the time of sale.

D. Cash

Cash includes demand deposits and money market savings accounts.

E. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. However, should the Center engage in activities unrelated to its exempt purpose it could result in taxable income.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2014

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

H. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be unrestricted and available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Center reports the support as unrestricted.

I. Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. At December 31, 2014, the Center had \$1,639 in inventories for the gift shop.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2014

J. Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and Fixtures	7 Years
Leasehold Improvements	5 Years
Machinery and Equipment	5 - 10 Years
Software	3 Years

K. Vacation and Sick Leave Policy

The Center gives paid time off (PTO) to only full time employees (40 hours a week). Paid time off can be used for personal, sick, or vacation. PTO is credited at the beginning of the year and the employee may carry over five days of PTO if unused at the end of the calendar year. All other PTO will be forfeited at the end of the calendar year. Upon separation of employment for any reason, unused PTO is forfeited. PTO is earned from the beginning of your employment with the Center, however; you cannot utilize paid time off until you have completed your first ninety days of employment. Paid time off is earned as follows:

<u>Years of Employment</u>	<u>Number of Days</u>
1-2	10
3-5	15
6	18
7	21

2. Cash

Cash at December 31, 2014, consisted of the following:

Demand Deposits	\$ 37,363
Money Market Savings	54,345
Paypal	1,545
Petty Cash	546
	<u>\$ 93,799</u>

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2014

3. Receivables

Receivables include amounts due from the City of Hammond. The total amount at December 31, 2014 is \$44,844. Of the total receivable amount, \$36,307 has been collected. The remaining amount is expected to be collected in 2015. The Center does not require collateral or other security to support the receivables. The maximum amount of loss due to credit risk if the City of Hammond failed to pay would be \$8,537.

4. Open Years

The organization's forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2013, 2012 and 2011 are subject to examination by the IRS, generally 3 years after they were filed.

5. Concentration of Revenue

For the year ended December 31, 2014, the Center received funding of \$249,219 from the City of Hammond, Louisiana which is approximately 43% of the Center's revenue.

6. Property and Equipment

A summary of the changes in property and equipment follows:

	Balance December 31, 2013		Additions	Deletions	Balance December 31, 2014	
Capital Assets						
Furniture, Fixtures & Equipment	\$	138,019	\$	11,561	\$	6960
Leasehold Improvements		403,377		-		-
Subtotal		541,396		11,561		-
Less: Accumulated Depreciation		(333,662)		(106,255)		4205
Net Capital Assets	\$	207,734	\$	(94,694)	\$	2755

Depreciation expense for the year ended December 31, 2014 was \$106,255.

Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

Notes to the Financial Statements
For the Year Ended December 31, 2014

7. Property Lease

The Center is leasing property at 113 North Cypress Street, Hammond, Louisiana and the adjacent parking lot. The lease was renewed on March 15, 2014 on a month to month basis. The consideration will be \$2,920.32 per month, due on the 15th day of each month thereafter. If the Discovery Center continues with the lease after one year, the amount will increase by 4% for the next year. In addition to the rent, a deposit of \$2,700 is to be held by the lessor as security for the full and faithful performance of all terms and conditions of the lease. The premises are to be used only for the purposes of a children's museum and other lawful related activities. At December 31, 2014 \$34,603 was charged to rent under this lease.

The Center is also leasing property at 200 East Charles Street, Hammond, Louisiana. The initial term of the lease was for 12 months beginning on May 1, 2011, and ending on April 30, 2012. The lease was renewed on May 1, 2012 for an additional 12 months. If lessee remains on the premises after the initial term has lapsed, it is automatically presumed that the lessee is accepting the option to renew the lease. The consideration will be for \$1,200 per month, due on the 1st day of each month thereafter. In addition to the rent, a deposit of \$1,000 is to be held by the lessor as security for the full and faithful performance of all terms and conditions of the lease. At December 31, 2014 \$14,400 was charged to rent under the lease.

8. Capital Lease

The Center entered into a capital lease purchase agreement with LEAF Capital Funding, LLC effective May 2, 2014 to lease a Konica Minolta bizhub C360 Copier System. The lease is payable in 48 monthly payments of \$169. The Center has the option to purchase the copier on the date the last rental payment is scheduled for the purchase price of \$1. The cost of the equipment and accumulated depreciation was \$8,680 and \$1,157. At December 31, 2014, the current and long-term portion of debt on the copier lease is \$2,170 and \$4,968.

The future minimum lease payments as of December 31, 2014 are as follows:

Year Ending	Principal	Total
2015	\$ 2,170	\$ 2,170
2016	2,170	2,170
2017	2,170	2,170
2018	628	628
	<u>\$ 7,138</u>	<u>\$ 7,138</u>

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Notes to the Financial Statements
For the Year Ended December 31, 2014**

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 2, 2015, and determined that the following event occurred and required disclosure.

On June 2, 2015, the Hammond City Council introduced an ordinance to amend Chapter 6, Article III of the Code of Ordinances regarding dedication of a portion of the electronic video bingo tax revenues. A public hearing is set for June 16, 2015. The Louisiana Children's Discovery Center, Inc. receives more than 40% of its revenue from reimbursements from the City of Hammond from video bingo tax revenues. A reduction in revenue from the City of Hammond could negatively affect the viability of Louisiana Children's Discovery Center, Inc.

Supplemental Information

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Schedule of Compensation, Benefits and Other
Payments to Executive Director
For the Year Ended December 31, 2014**

Executive Director: Anette Kirylo

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 56,435
Reimbursements	396
Total payments	\$ 56,831

See Auditor's Report.

Other Independent Auditor's Reports and Findings, Recommendations, and Responses

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

CHARLES P. HEBERT, CPA

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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors
Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Children's Discovery Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana Children's Discovery Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Children's Discovery Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Children's Discovery Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Phil Hebert

Phil Hebert, CPA

A Professional Accounting Corporation

June 2, 2015

**Louisiana Children's Discovery Center, Inc.
Hammond, Louisiana**

**Schedule of Current Year Audit Findings and Responses
For the Year Ended December 31, 2014**

We have audited the basic financial statements of Louisiana Children's Discovery Center, Inc. as of and for the year ended December 31, 2014, and have issued our report thereon dated June 2, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2014 resulted in an unmodified opinion.

Section I Summary of Auditor's Report

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness, No

Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not Applicable

Was a management letter issued? No